

Volunteer Quality Alert 2008-01
Alternative Minimum Tax (AMT)
January 24, 2008

Delay in Processing: The following five forms and the returns associated with them will be delayed in processing until February 11, 2008. This delay is due to late breaking legislation related to AMT. It affects both electronically filed and paper returns with these forms attached:

- Schedule 2, Child & Dependent Care Expenses filed with Form 1040A
- Form 5695, Residential Energy Credits
- Form 8396, Mortgage Interest Credit
- Form 8859, District of Columbia First-Time Homebuyer Credit
- Form 8863, Education Credits

The delay will affect a very limited number of VITA/TCE taxpayers.

Order of Credit Deductibility: The IRS issued 2007 tax forms under the existing law as of November 1, 2007. On December 26, 2007, the President signed into law the AMT Relief Provision that extended the AMT adjustments for TY2007. This legislation also impacted the order of deductibility of the tax credits by which the tax liability may be reduced. The IRS decided **NOT** to change the already printed Form 1040 but did ensure that the new tax law specifications were provided to participating software developers. **For sites using TaxWise® software, version 22.01** (and later) includes the most current order of deductibility of credits per the latest legislation. **For sites preparing paper returns**, volunteers must use the latest forms and instructions. Be sure to follow the instructions carefully and make sure worksheets are completed properly. Failure to do so may result in errors on the tax return.

Operational Considerations for Volunteer Sites:

- **Clearly communicate any delays** anticipated to the customer.
- **Returns that include Child and Dependent Care Credit can be e-filed before February 11th as long as you use the Form 1040 with Form 2441.**
- Returns affected by AMT can be prepared and held for transmission on February 11, 2008.
- **Avoid filing an incomplete return followed by an Amended Return.** Customers are better served by preparing their return completely and correctly the first time. Amended Returns are generally not within the scope of the VITA/TCE programs, consequently customers may have an expense in order to receive all of the tax benefits to which they are entitled.
- Filing electronically is still the best option. **Returns with the “delayed” forms will not be accepted by the IRS prior to February 11, whether filed by computer or paper.**

NOTE: Paid practitioners and tax preparers are affected the same as VITA/TCE sites. The processing delays are due to the late breaking legislation and the time it takes to re-program IRS systems to accept the affected returns.

Questions: Visit www.irs.gov for frequently asked questions. If you have additional questions, please discuss with your Site Coordinator, email partners@irs.gov or contact your local IRS SPEC Relationship Manager.